

Monarch Airlines



MONARCH AIRLINES LIMITED
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21 May 1998

Docket Section

Docket OST 98-3304 - 26
US Department of Transportation
Room C55 PL-401
400 7th Street SW
Washington
DC20590

Office of Public Affairs
National Transportation Safety Board
490 L'Enfant Plaza E., SW
Washington DC 20594

DEPARTMENT OF TRANSPORTATION
98 JUN -8 AM 11:41
DOCKET SECTION

Dear Sirs

Re **Foreign Air Carrier Family Support Act, 49 U.S.C. section 41313,
Plan of Monarch Airlines Ltd.,**

Pursuant to the requirements of 49 U.S.C. section 41313 (b) and (c), Monarch Airlines Ltd ("Monarch") submits the following plan for addressing the needs of the families of passengers involved in fatal aircraft accidents.

1. Toll free Telephone Number

Monarch has established a toll-free number to be used exclusively for the receipt of calls from concerned persons in the event of an aviation disaster in the United States involving Monarch aircraft.

That number is 0181 897 6333 at the Emergency Procedures Information Centre ("EPIC"), British Airways plc, Compass Centre (S762), P O Box 10, Heathrow Airport, Hounslow, TW6 2JA, UK. It is a toll-free (collect) call from the United States, which can be reached by dialing from any point in the United States 011 44 181 897 6333 and from any point in the United Kingdom by dialing 0181 897 6333.

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Immediately upon Monarch's receipt of notification that an aviation disaster involving one of its aircraft has occurred in the United States, telephones at this number will be manned and all collect calls from the United States will be accepted.

In addition to the notice provided by this letter to your agencies and, through your agencies, to the American Red Cross (see paragraph 2 below) Monarch will immediately inform representatives of the American print, radio and television media in the United Kingdom of the availability of this toll-free number if the need should arise. The above number will thereupon be manned on an around-the-clock basis by Monarch personnel for as long as necessary. These Monarch representatives will answer any and all questions and provide all available information authorised for release.

2. Notification of Families

Monarch will use the services of the American Red Cross in Falls Church, Virginia, the agency designated pursuant to 49 U.S.C. section 1136 (a) (2) for notifying, in person, to the extent practicable, the families of passengers involved in a US accident to an aircraft under the control of Monarch, such notice to be provided prior to providing public notice of the names of passengers. The American Red Cross has agreed to provide those services in behalf of Monarch.

Monarch will provide the notice reported in Paragraph 2 above as soon as practicable after verification of the identity of any passenger(s) on the aircraft whether or not the names of all passengers on the aircraft have been verified.

3. List of Passengers

Monarch will provide, immediately upon request, to the Director of Family Support Service designated pursuant to section 1136 (a) (1) and to the American Red Cross, the names of the passengers aboard the aircraft whether or not such names have been verified and will update that list immediately as and when additional information becomes available to it.

4. Consultation regarding Disposition of Remains and Effects

With the assistance of the American Red Cross, Monarch will consult with the family of each passenger about the disposition of any remains and personal effects of such passenger that are within the control of Monarch.

5. Return of Possessions

If requested by the family of any passenger, Monarch undertakes to return to the family of that passenger any possession, regardless of its condition, that is within the control of Monarch unless possession is required for accident or criminal investigation.

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6. Unclaimed Possession Retained

Monarch will retain any unclaimed possession of a passenger in the possession of Monarch for a period of not less than 18 months following the date of any fatal Monarch aircraft accident in the United States.

7. Monuments

Monarch will consult with the family of each passenger about construction by Monarch of any monument to deceased passengers that may be built in the United States, and, if any such monument is to be built, then Monarch shall consult with such families about any inscription to be placed on the monument.

8. Equal Treatment of Passengers

The treatment of the families of non-revenue passengers will be identical to the treatment of families of revenue passengers.

9. Service and Assistance to Families of Passengers

Monarch will work with the American Red Cross, or any other organisation that may be designed under section 1136 (a) (2), on a continuing basis to ensure that families of passengers receive an appropriate level of services and assistance following an accident.

10. Compensation to Service Organisations

Monarch undertakes to provide reasonable compensation to the American Red Cross, or any other organisation designated under section 1136 (a) (2) for necessary services and assistance provided by it.

11. Travel and Care Expenses

Monarch undertakes to assist the family of any passenger in travelling to the location in the United States of any accident involving an aircraft of Monarch and will provide for the physical care of the family while the family is staying in any such location.

12. Resources for Plan

Monarch undertakes to commit sufficient resources to carry out this plan. Monarch's assets are more than adequate for these purposes. Monarch's report and financial statements for the year ending 30th April 1997 is attached.

Continued...../

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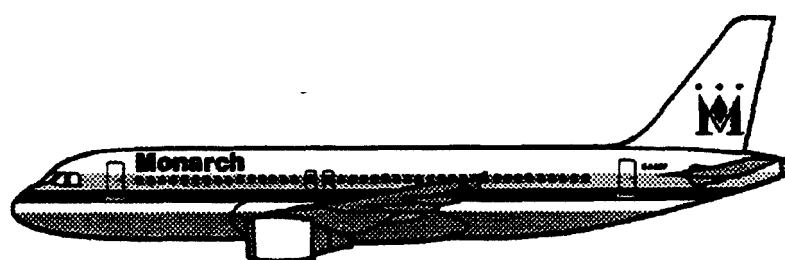
Moreover, Monarch has verified that its pertinent policies of insurance incorporate coverage for payment of substantially all expenses which Monarch has committed by this plan. Monarch's insurer is Voyager Insurance Company Ltd of St Peter Port, Guernsey, GY 11 WJ, Channel Islands.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Daniel Bernstein'. The signature is fluid and cursive, with a large initial 'D' and 'B'.

D L BERNSTEIN
Managing Director

MONARCH AIRLINES LIMITED



REPORT & FINANCIAL STATEMENTS YEAR ENDED 30 APRIL 1997

CONFIDENTIAL

Monarch Airlines Limited

Report and Financial Statements

Year Ended
30 April 1997



BDO Soy Hayward
Chartered Accountants

MONARCH AIRLINES LIMITED

Annual report and financial statements for the year ended 30 April 1997

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9	Consolidated cash flow statement
10	Notes forming part of the financial statements

Directors

D L Bernstein
P C Dorrington
M J Dovey
R J Kirby
D D McAngus
M Poole

Secretary and registered office

M J Ellingham, 66 Broomfield Road, Chehnsford, Essex, CM1 1SW.

Registered number

907593

Auditors

BDO Stoy Hayward, 66 Broomfield Road, Chehnsford, Essex, CM1 1SW.

MONARCH AIRLINES LIMITED

Report of the directors for the year ended 30 April 1997

The directors submit their report together with the audited financial statements of the group for the year ended 30 April 1997.

Results and dividends

The results of the group for the year together with the dividends are set out in the consolidated profit and loss account and the notes relating to it.

Principal activities, review of business and future developments

The group's principal activity remains that of an airline operator.

The board is pleased to have achieved a pre tax profit in excess of 10m for the year ended 30 April 1997 and is anticipating a satisfactory level of profit for the year ended 30 April 1998.

The introduction of further Airbus aircraft is planned for 1999.

The board wishes to thank all Monarch Airlines Limited staff for the efforts they have made during the year.

Employment policy

It is the policy of the group that training, career development and promotion opportunities should be available to all employees. The directors are committed to encouraging employee involvement in the business.

Disabled persons

Full and fair consideration has and will be given to employment applications from disabled persons having regard to their particular aptitude and abilities. If an appropriate vacancy is available, then, where practicable, arrangements will be made to continue under normal terms and conditions the employment of an employee who becomes disabled. Disabled employees are given fair consideration for training, career development and promotion.

Charitable donations

During the year the group made charitable donations of £362 (1996 - £340).

Market value of land and buildings

The directors are of the opinion that there is no material difference between the market value of the long leasehold property and the amount at which it is shown in the financial statements.

MONARCH AIRLINES LIMITED

Report of the directors for the year ended 30 April 1997 (*Continued*)

Directors

The directors of the company during the year were:

Executive

D L Bernstein
M J Dovey
R J Kirby
M Poole

Non-Executive

P C Dorrington
D D McAngus
M C McKee (resigned 15 November 1996)

None of the directors had an interest in the shares of the company or any of its parent undertakings.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each **financial** year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the **financial** statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of creditor payment practice

The company's policy for the year to 30 April 1998 for all suppliers, is to fix terms of payment when agreeing the terms of each business transaction, to ensure the supplier is aware of those terms and to abide by the agreed terms of payment.

The number of days' purchases represented by the trade creditors at 30 April 1997 was 40.

MONARCH AIRLINES LIMITED

Report of the directors for the year ended 30 April 1997 *(Continued)*

Auditors

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the Board

D L Bernstein

Director

12 September 1997

MONARCH AIRLINES LIMITED

Report of the auditors

To the shareholders of Monarch Airlines Limited

We have audited the financial statements on pages 5 to 27 which have been prepared under the accounting policies set out on pages 10 to 12.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 30 April 1997, and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward
Chartered Accountants
and Registered Auditors
Chelmsford

12 September 1997

MONARCH AIRLINES LIMITED

Consolidated profit and loss account for the year ended 30 April 1997

	Note	1997 f '000	1996 f '000
Turnover	1 & 2	309,345	306,332
Cost of sales		291,652	288,683
		<hr/>	<hr/>
Gross profit		17,693	17,649
Administrative expenses		11,061	11,027
		<hr/>	<hr/>
		6,632	6,622
Other operating income		1,303	1,503
		<hr/>	<hr/>
Operating profit	4	7,935	8,125
Profit on sale of aircraft			1,202
		<hr/>	<hr/>
Profit on ordinary activities before interest		7,935	9,327
Interest receivable		3,645	3,834
Interest payable	7	(1,411)	(2,058)
		<hr/>	<hr/>
Profit on ordinary activities before tax		10,169	11,103
Tax on profit on ordinary activities	8	3,401	3,700
		<hr/>	<hr/>
Profit for the financial year		6,768	7,403
Dividends	9	3,350	3,700
		<hr/>	<hr/>
Retained profit for the year	19	3,418	3,703
		<hr/>	<hr/>

All amounts relate to continuing activities.

A statement of the movement of reserves can be found in note 19.

The notes on pages 10 to 27 form part of these financial statements.

MONARCH AIRLINES LIMITED

Statement of total recognised gains and losses for the year ended 30 April 1997

	Note	Group		Company	
		1997 £'000	1996 f '000	1997 f '000	1996 f '000
Profit for the financial year		6,768	7,403	6,759	7,399
Exchange adjustment	19	(523)	415	(523)	415
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total recognised gains and losses for the year		6,245	7,818	6,236	7 , 8 1 4
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

The notes on pages 10 to 27 form part of these financial statements.

MONARCH AIRLINES LIMITED

Consolidated balance sheet at 30 April 1997

	Note	1997		1996	
		f '000	f '000	f '000	f '000
Fixed assets					
Intangible assets	10	3,728		3,329	
Tangible assets	11	101,277		102,868	
			105,005		106,197
Current assets					
Stock	13	1,131		1,312	
Debtors - due within one year	14	22,752		25,172	
- due after more than one year	14	21,737		23,467	
Cash at bank and in hand		21,918		26,047	
		67,538		75,998	
Creditors: amounts falling due within one year	15	91,809		99,323	
Net current liabilities			(24,271)		(23,325)
Total assets less current liabilities			80,734		82,872
Creditors: amounts falling due after more than one year	16		12,935		17,962
Provisions for liabilities and charges	17		16,509		16,515
			51,290		48,395
Capital and reserves					
Called up share capital - equity	18		100		100
Profit and loss account - equity	19		51,190		48,295
Shareholders' funds	20		51,290		48,395

The financial statements were approved by the Board on 12 September 1997.

The notes on pages 10 to 27 form part of these financial statements.

MONARCH AIRLINES LIMITED

Balance sheet at 30 April 1997

	Note	1997		1996	
		f '000	f '000	f '000	f '000
Fixed assets					
Intangible assets	10	3,728		3,329	
Tangible assets	11	101,277		102,868	
Investments	12	30		50	
			105,035		106,247
Current assets					
Stock	13	1,131		1,312	
Debtors - due within one year	14	22,731		25,152	
- due after more than one year	14	21,737		23,467	
Cash at bank and in hand		21,902		26,033	
		67,501		75,964	
Creditors: amounts falling due within one year	15	91,814		99,342	
Net current liabilities			(24,313)		(23,378)
Total assets less current liabilities			80,722		82,869
Creditors: amounts falling due after more than one year	16		12,935		17,962
Provisions for liabilities and charges	17		16,509		16,515
			51,278		48,392
Capital and reserves					
Called up share capital - equity	18		100		100
Profit and loss account - equity	19		51,178		48,292
Shareholders' funds	20		51,278		48,392

The financial statements were approved by the Board on 12 September 1997

D L Bernstein
Director

The notes on pages 10 to 27 form part of these financial statements.

MONARCH AIRLINES LIMITED

Consolidated cash flow statement for the year ended 30 April 1997

	Note	1997		1996	
		f '000	f '000	f '000	f '000
Net cash inflow from operating activities	24		29,107		21,976
Returns on investments and servicing of finance					
Interest received		3,661		4,588	
Interest paid		(656)		(819)	
Finance lease and hire purchase interest		(671)		(1,039)	
Net cash inflow from returns on investments and servicing of finance			2,334		2,730
Taxation					
Payments for group relief and ACT surrendered		(2,376)		(2,319)	
UK corporation tax paid		(1,221)		(951)	
Tax paid			(3,597)		(3,270)
Capital expenditure and financial investment					
Engine overhaul		(6,869)		(4,436)	
Payments to acquire intangible fixed assets		(1,477)		(1,496)	
Payments to acquire tangible fixed assets		(21,147)		(15,252)	
Receipts from sales of tangible fixed assets		10,543		22,970	
Net cash (outflow)/inflow for capital expenditure and financial investments			(18,950)		1,786
Equity dividends paid			(3,700)		(3,500)
Net cash inflow before use of liquid resources and financing			5,194		19,722
Management of liquid resources					
Cash taken off/(put on) short term deposit	26		4,496		(3,296)
Financing					
Capital element of finance lease and hire purchase payments	26	(7,167)		(7,177)	
Bank loan repayments	26	(2,156)		(11,792)	
			(9,323)		(18,969)
Increase/(decrease) in cash	25		367		(2,543)

The notes on pages 10 to 27 form part of these financial statements.

MONARCH AIRLINES LIMITED

Notes forming part of the financial statements for the year ended 30 April 1997

1 Accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The principal accounting policies which have not changed in the year, are:

Basis of consolidation

The group financial statements consolidate the financial statements of the company and all of its subsidiary undertakings as at 30 April 1997 using the acquisition method of accounting.

Turnover

Turnover represents the invoiced value of airline traffic revenue and related income exclusive of intra-group trading and value added tax.

Fixed assets - capitalisation

Aircraft and engines held under finance leases and hire purchase contracts are capitalised as fixed assets. Obligations under finance leases and hire purchase contracts are shown in notes 15 and 16.

Intangible assets represent aircraft introductory and initial crew training costs. Subsequent training costs are charged to revenue as incurred.

Fixed assets - depreciation

Tangible assets:

Fixed assets are depreciated from the date when brought into use at rates estimated to reduce them to their residual values over their estimated useful lives or the periods of applicable leases. The principal bases used are as follows:

Long leasehold office property	- Straight line over 50 years.
Residential property	- Nil as it is the company's practice to maintain the property in good repair and the directors consider any depreciation would not be material.
Aircraft and engines	- Straight line over 10-12 years to a residual value of 45% or 40% of cost. Subsequent to the primary lease period aircraft are depreciated over 10 years to a residual value of 10% of cost.
Rotables and consumables	- Net expenditure is written off over periods of between 12 and 22 years.
Aircraft modifications and special work	- Straight line over periods of between 7 and 22 years.
Aircraft simulator	- Straight line over 10 years to a residual value of 20% of cost.
Plant and equipment	- Straight line over 3 to 4 years.

Intangible assets:

Aircraft introductory and initial crew training costs are amortised over 5 years.

Investments

Investments held as fixed assets are stated at cost while current asset investments are shown at the lower of cost and net realisable value.

MONARCH AIRLINES LIMITED

Notes forming part of the financial statements for the year ended 30 April 1997 (*Continued*)

1 Accounting policies (*continued*)

Stock

Stock is valued at the lower of cost and net realisable value.

Foreign currencies

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the profit and loss account.

The cost of aircraft and engines which have been financed by loans and hire purchase arrangements in foreign currency are adjusted at each year end to take account of the sterling cost of related repayments during the year and the translation of outstanding liabilities on such foreign currency borrowings at the year end rate of exchange.

Deferred tax

Deferred tax in respect of accelerated capital allowances and other timing differences is provided under the liability method except where such timing differences are expected, with reasonable probability, to continue in the foreseeable future.

Finance leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are capitalised and are depreciated over their useful lives. Finance costs are charged to the profit and loss account over the period of the lease or hire purchase contract so as to produce a constant periodic rate of charge on the remaining balance of the obligation for each accounting period.

Operating leases

Amounts payable under operating leases are charged to the profit and loss account as incurred.

Rental income from operating leases is recognised on a straight line basis over the period of the lease.

Pension costs

Retirement benefits to employees of the group are provided by a defined benefit scheme which is funded by contributions from the group and employees and paid to separately administered funds.

Contributions to these funds are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives. The regular cost is attributed to individual years using the projected unit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

Engine overhaul and maintenance costs

Dependent upon the provisions of the financing or lease arrangements engine overhaul costs are usually either accrued or amortised on the basis of hours flown. Other engine and airframe maintenance costs are in the main written off as incurred.

MONARCH AIRLINES LIMITED

Notes forming part of the financial statements for the year ended 30 April 1997 (Continued)

1 Accounting policies (continued)

Payments received on account

Payments received on account represent flight revenue receivable in advance from customers in respect of contractual flying commitments for the following year.

2 Turnover

Turnover is attributable to the principal activity, that of an airline operator. Substantially all of the group's turnover arose within the United Kingdom.

3 Profit for the financial year

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the company has not been presented in these financial statements. The consolidated profit for the financial year includes £6,759,000 (1995 - £7,399,000) which has been dealt with in the financial statements of the company.

4 Operating profit

This is arrived at after crediting:	1997 £'000	1996 £'000
Operating lease rentals - aircraft and engines	7,904	7,408
Profit on disposal of fixed assets	259	463
	<u> </u>	<u> </u>
and after charging:		
Depreciation - tangible assets	10,734	10,723
Amortisation - intangible assets	1,078	894
Amortisation of engine overhaul	4,712	5,234
Operating lease rentals - aircraft and engines	52,204	54,393
- land and buildings	242	244
Auditors' remuneration - audit services	44	42
- non-audit services	89	89
	<u> </u>	<u> </u>

MONARCH AIRLINES LIMITED

Notes forming part of the financial statements for the year ended 30 April 1997 (Continued)

5 Directors

Emoluments:	1997	1996
	f '000	f '000
Remuneration for management services	497	520
Compensation for loss of office		30
	<u>497</u>	<u>550</u>

The emoluments of the highest paid director were:	<u>182</u>	<u>170</u>
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The accrued pension of the highest paid director at 30 April 1997 was £16,000 per annum.

	Number	Number
The number of directors in the defined benefit pension scheme outlined in note 23 are as follows:-	<u>6</u>	<u>6</u>

6 Employees

The average monthly number of employees of the group during the year, including executive directors, was as follows:

	1997	1996
	Number	Number
Flight deck crew	272	271
Cabin crew	940	878
Traffic and operations	76	76
Administrative	153	159
	<u>1,441</u>	<u>1,384</u>

Staff costs for all employees, including executive directors, consists of:

	f '000	f '000
Wages and salaries	27,446	26,161
Social security costs	2,649	2,492
Other pension costs	2,335	2,054
	<u>32,430</u>	<u>30,707</u>

MONARCH AIRLINES LIMITED

Notes forming part of the financial statements for the year ended 30 April 1997 (Continued)

7 Interest payable

	1997 f '000	1996 E'000
On bank loans	704	1,036
On finance lease and hire purchase contracts	693	1,016
On other loans	14	6
	<u>1,411</u>	<u>2,058</u>

8 Tax on profit on ordinary activities

The charge is based on the profit for the year and consists of:

UK corporation tax or group relief	3,251	2,500
Transfer to deferred tax account	150	300
	<u>3,401</u>	<u>2,800</u>

Adjustments relating to prior years:

UK corporation tax under provision		900
	<u>3,401</u>	<u>3,700</u>

If full provision for deferred tax had been made the tax charge for the year would have been reduced by f 1,389,000 (1996 - increased by f 1,099,000).

9 Dividends

	1997 E'000	1996 E'000
Ordinary dividends:		
Interim paid of f 15 per share (1996 - f 15)	1,500	1,500
Final proposed of £18.50 per share (1996 - f22)	1,850	2,200
	<u>3,350</u>	<u>3,700</u>

MONARCH AIRLINES LIMITED

Notes forming part of the financial statements for the year ended 30 April 1997 (*Continued*)

10 Intangible assets

Group and Company

	Crew Training and Aircraft Introductory costs f '000
<i>Cost</i>	
At 1 May 1996	7,455
Additions	1,477
Disposals	(744)
	<hr/>
At 30 April 1997	8,188
	<hr/>
<i>Amortisation</i>	
At 1 May 1996	4,126
Provision for the year	1,078
Disposals	(744)
	<hr/>
At 30 April 1997	4,460
	<hr/>
<i>Net book value</i>	
At 30 April 1997	3,728
	<hr/> <hr/>
At 30 April 1996	3,329
	<hr/> <hr/>

MONARCI-I AIRLINES LIMITED

Notes forming part of the financial statements for the year ended 30 April 1997 (Continued)

11 Tangible assets Group and Company	Long leasehold property f '000	Aircraft and engines £'000	Rotables and consumables £'000	Aircraft modifications & special work £'000	Aircraft simulator f '000	Plant and equipment £'000	Total f '000
<i>Cost</i>							
At 1 May 1996	7,895	127,301	53,098	6,666	7,278	5,367	207,605
Additions	18	1,235	16,778	1,740		1,278	21,049
Disposals			(10,932)	(195)	(25-1)	(777)	(12,155)
Exchange movement		(2,537)					(2,537)
At 30 April 1997	7,913	125,999	58,944	8,211	7,027	5,868	213,962
<i>Depreciation</i>							
At 1 May 1996	1,218	62,125	31,518	2,364	3,998	3,514	104,737
Provision for year	187	5,375	2,949	562	580	1,081	10,734
Disposals	-		(740)	(195)	(250)	(686)	(1,871)
Exchange movement	-	(915)					(915)
At 30 April 1997	1,405	66,585	33,727	2,731	4,328	3,909	112,685
<i>Net book value</i>							
At 30 April 1997	6,508	59,414	25,217	5,480	2,699	1,959	101,277'
At 30 April 1996	6,677	65,176	21,580	4,302	3,280	1,853	102,868

The aircraft and engines cost includes £93,570,000 (1996: £93,893,000) in respect of assets which are subject to hire purchase and finance lease contracts. The accumulated depreciation of these assets is £51,556,000 (1996: £47,840,000). The related depreciation charge for the year was £3,716,000 (1996 - £4,104,000). The simulator cost includes £685,000 (1996 - £685,000) of capitalised interest.

MONARCH AIRLINES LIMITED

Notes forming part of the financial statements for the year ended 30 April 1997 (Continued)

11 Tangible assets (continued)

Commitments for capital expenditure

Group and Company

1997	1996
f '000	f '000

Contracted for but not provided in the financial statements

3,308	2,674
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12 Fixed asset investments

Company

Shares in subsidiary undertakings

1997	1996
f '000	f '000

At 1 May 1996

50	50
----	----

Sale of subsidiary undertaking

(20)	-
------	---

30	50
----	----

During the year the company sold 100% of the called up share capital of Sure Flights Limited for f 13,000.

The company owns 100% of the called up share capital of the following companies incorporated in Great Britain:

Principal activities

Monarch Airlines Retirement
Benefits Plan Limited

Trustee of company pension scheme

Monarch Air Travel Limited

Tour operator and seat broker

Monarch Airlines Catering Company Limited

Dormant

The company owns 100% of the called up share capital of the following company which is incorporated in Germany:

Monarch Airlines Services GmbH

Dormant

All of the above investments are unlisted.

13 stocks

Group and Company

1997	1996
f '000	f '000

Cabin consumables

628	706
-----	-----

Goods held for resale

503	606
-----	-----

1,131	1,312
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MONARCH AIRLINES LIMITED

Notes forming part of the financial statements for the year ended 30 April 1997 (*Continued*)

14 Debtors

	Group		Company	
	1997	1996	1997	1996
	f '000	f '000	f '000	f '000
Amounts falling due within one year:				
Trade debtors	15,690	17,716	15,673	17,699
Amounts owing from immediate parent undertaking	181	125	181	125
VAT recoverable	583	979	583	979
Other debtors	1,146	1,255	1,142	1,252
Prepayments	5,152	4,222	5,152	4,222
Advance corporation tax recoverable		875		875
	<u>22,752</u>	<u>25,172</u>	<u>22,731</u>	<u>25,152</u>

Amounts falling due after more than one year:

Amounts owing from immediate parent undertaking	12,500	15,000	12,500	15,000
Other debtors	2,125	2,243	2,125	2,243
Prepayments	7,112	5,674	7,112	5,674
Advance corporation tax recoverable		550		550
	<u>21,737</u>	<u>23,467</u>	<u>21,737</u>	<u>23,467</u>

15 Creditors: amounts falling due within one year

Bank loans (secured)	2,149	2,334	2,149	2,334
Obligations under finance leases	3,046	6,130	3,046	6,130
Obligations under hire purchase contracts	1,064	351	1,064	351
	<u>6,259</u>	<u>8,815</u>	<u>6,259</u>	<u>8,815</u>
Carried forward	6,259	8,815	6,259	8,815

MONARCH AIRLINES LIMITED

Notes forming part of the financial statements for the year ended 30 April 1997 (Continued)

15 Creditors: amounts falling due within one year (continued)	Group		Company	
	1997 f '000	1996 £'000	1997 f '000	1996 f '000
Brought forward	6,259	8,815	6,259	8,815
Payments received on account	11,729	10,119	11,729	10,119
Trade creditors	47,741	50,256	47,741	50,256
Amounts owing to fellow subsidiary undertakings	2,614	4,195	2,614	4,195
Amounts owing to subsidiary undertakings			11	26
Corporation tax	4,476	6,206	4,475	6,204
Advance corporation tax payable	320	550	320	550
Tax and social security	901	897	901	897
Proposed dividend	1,850	2,200	1,850	2,200
Other creditors	4,761	4,541	4,761	4,541
Accruals	11,158	11,544	11,153	11,539
	<u>91,809</u>	<u>99,323</u>	<u>91,814</u>	<u>99,342</u>

Further details regarding loans, finance lease and hire purchase contracts are shown in note 16.

16 Creditors: amounts due after more than one year	Group and Company	
	1997 f '000	1996 f '000
Total amounts arising in respect of:		
Bank loans (secured)	8,535	11,583
Obligations under finance leases	6,376	12,510
Obligations under hire purchase contracts	4,283	2,684
	<u>19,194</u>	<u>26,777</u>
Less: amounts included in current liabilities	(6,259)	(8,815)
	<u>12,935</u>	<u>17,962</u>
These amounts are payable in the following periods from the balance sheet date:		
In the second year	6,547	5,757
In the third to fifth year inclusive	6,388	12,205
	<u>12,935</u>	<u>17,962</u>

MONARCH AIRLINES LIMITED

Notes forming part of the financial statements for the year ended 30 April 1997 (Continued)

16 Creditors: amounts due after more than one year (continued)

The principal bank loan is a US Dollar facility which is secured by way of a charge over the aircraft it was used to acquire. The loan is repayable in equal instalments over 10 years together with interest linked to US Dollar LIBOR.

The hire purchase agreements are repayable in instalments over 4 - 10 years together with interest at various rates linked to US Dollar LIBOR.

The obligations under finance leases are effectively secured on the assets held under those leases.

17 Provisions for liabilities and charges

Group and Company	Deferred tax £'000	Pensions f '000	Total f '000
At 1 May 1996	16,064	451	16,515
Charge/(credit) to profit and loss account	150	(156)	(6)
	<u>16,214</u>	<u>295</u>	<u>16,509</u>
At 30 April 1997	<u>16,214</u>	<u>295</u>	<u>16,509</u>

Deferred tax

The total potential amount of deferred tax on timing differences and the amount for which provision at 3 1% (1996 - 33%) has been made is:

	Provided		Potential	
	1997 f '000	1996 f '000	1997 f '000	1996 f '000
Accelerated capital allowances	6,112	6,233	11,484	12,994
Assets subject to finance leases	10,229	10,063	10,229	10,063
Pension provisions	(91)	(149)	(91)	(149)
Other timing differences	(36)	(83)	(36)	(83)
	<u>16,214</u>	<u>16,064</u>	<u>21,586</u>	<u>22,825</u>

Pensions

Provision has been made for the excess of the accumulated pension cost over the amount funded (see note 23).

18 Share capital	1997 f '000	1996 f '000
Authorised, allotted, called up and fully paid 100,000 ordinary shares off 1 each	<u>100</u>	<u>100</u>

MONARCH AIRLINES LIMITED

Notes forming part of the financial statements for the year ended 30 April 1997 (Continued)

19 Profit and loss account

	Group f '000	Company f '000
At 1 May 1996	48,295	48,292
Retained profit for the year	3,418	3,409
Exchange adjustment (see below)	(523)	(523)
	<hr/>	<hr/>
At 30 April 1997	51,190	51,178
	<hr/>	<hr/>

The exchange adjustment comprises the following:

	Group and Company f '000
Aircraft and engines - cost (note 11)	(2,537)
Aircraft and engines - depreciation (note 11)	915
Financing (note 26)	1,099
	<hr/>
	(523)
	<hr/>

20 Reconciliation of movements in shareholders' funds

	Group		Company	
	1997 £'000	1996 f '000	1996 £'000	1996 f '000
Profit for the financial year	6,768	7,403	6,759	7,399
Exchange adjustment	(523)	415	(523)	415
Dividends	(3,350)	(3,700)	(3,350)	(3,700)
	<hr/>	<hr/>	<hr/>	<hr/>
	2,895	4,118	2,886	4,114
Opening shareholders' funds	48,395	44,277	48,392	44,278
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	51,290	48,395	51,278	48,392
	<hr/>	<hr/>	<hr/>	<hr/>

MONARCH AIRLINES LIMITED

Notes forming part of the financial statements for the year ended 30 April 1997 (Continued)

21 Contingent liabilities

Charges have been registered over certain bank deposits held in the company's name as security for guarantee facilities provided by those banks. The total amount of such guarantees at 30 April 1997 was £5,625,991 (1996 - £5,616,424).

The company has given guarantees in respect of sterling term loans made available to a fellow subsidiary, Monarch Aircraft Engineering Limited. The total amount outstanding at 30 April 1997 was £4,826,833 (1996 - £2,145,844).

The company has given guarantees in respect of a fellow subsidiary Monarch Airlines Leasing Limited, relating to the company's hire purchase contracts. The annual amounts payable for periods of 10 years under the hire purchase contracts are approximately US\$3.7m and US\$3.75m respectively, which are subject to adjustment in line with movements in US Dollar LIBOR.

At 30 April 1997, there were other contingent liabilities and commitment; of the group and company arising in the ordinary course of business. The directors are of the opinion that no material loss will arise under these arrangements.

22 Commitments

Operating leases

As at 30 April 1997 the group and company had annual commitments under operating leases as set out below:

	Aircraft and engines f '000	Land and buildings f '000	Other f '000
Operating leases which expire:			
Within one year	3,873		1
In the second to fifth year inclusive	27,808		1,538
After five years	19,820	215	
	<u>51,501</u>	<u>215</u>	<u>1,539</u>

As at 30 April 1996 the group and company had annual commitments under operating leases as set out below:

	Aircraft and engines £'000	Land and buildings £'000	Other £'000
Operating leases which expire:			
Within one year	4,433		22
In the second to fifth year inclusive	18,617		1,653
After five years	29,887	210	
	<u>52,937</u>	<u>210</u>	<u>1,675</u>

At 30 April 1997, the group and company had commitments under forward exchange contracts entered into in the ordinary course of business amounting to £98.745m (1996 - £66.357m).

23 Pensions

The company and its fellow subsidiary, Monarch Aircraft Engineering Limited, operate a jointly funded defined benefit pension scheme for UK employees. The assets of the scheme are administered by Trustees and are held in separate funds. The scheme is split into two sections, Groundstaff and Aircrew.

The pension cost and funding arrangements are assessed in accordance with the advice of a qualified actuary using the Projected Unit Method. The latest valuation was as at 1 July 1995. It was assumed that investment returns would be 9% per annum, that salary increases would average 7.5% per annum and that present and future pensions would increase at 3% per annum. Assets were considered by valuing the discounted income, assuming a notional reinvestment in an equity index with dividend growth of 4.5% per annum. At that date the value of assets was sufficient to cover 111% (Groundstaff Section) and 100% (Aircrew Section) of the benefits that had accrued to members after allowing for expected future increases in earnings. The market value of the assets was £27,408,358 (Groundstaff Section) and £36,672,036 (Aircrew Section).

At 30 April 1997 a review of the pension cost and provision was carried out by the actuary. The method and principal assumptions of this review were the same as those used for the formal actuarial valuation at 1 July 1995, with the exception that it was assumed that salary increases would average 7% per annum. As a result of this review the total pension cost charged for the period in these financial statements amounted to £2,335,000 (1996 - £2,054,000).

During the year, in accordance with the actuary's recommendations, the following contributions were made to each section of the scheme:-

	% of pensionable salaries	
	Employer	Employee
Groundstaff	12	2
Aircrew	15	7.5

At 30 April 1997, in accordance with SSAP24, the group and company has made provisions of £158,000 (1996 - £314,000) in respect of the Groundstaff section and £137,000 (1996 - £137,000) in respect of the Aircrew section, this being the excess of the accumulated pension costs over the amounts funded.

MONARCH AIRLINES LIMITED

Notes forming part of the financial statements for the year ended 30 April 1997 (Continued)

24 Reconciliation of operating profit to net cash inflow from operating activities

	1997 f '000	1996 f '000
Operating profit	7,935	8,125
Profit on sale of aircraft		1,202
Amortisation - intangible fixed assets	1,078	894
Depreciation - tangible fixed assets	10,734	10,723
Profit on sale of fixed assets	(259)	(1,665)
Amortisation of engine overhaul	4,712	5,234
Decrease/(increase) in stocks	181	(163)
Decrease/(increase) in debtors	4,675	(7,850)
Increase in creditors	207	5,737
Decrease in pension provision	(156)	(261)
	<u>29,107</u>	<u>21,976</u>
Net cash inflow from operating activities	<u>29,107</u>	<u>21,976</u>

25 Reconciliation of net cash flow to movement in net debt

	1997		1996	
	f '000	f '000	f '000	f '000
Increase/(decrease) in cash in the year	367		(2,543)	
Cash outflow from decrease in debt and lease financing	9,323		18,969	
Cash (inflow)/outflow from (decrease)/increase in liquid resources	(4,496)		3,296	
	<u>5,194</u>		<u>19,722</u>	
Change in net debt resulting from cash flows		5,194		19,722
New hire purchase contracts		(2,839)		
Exchange movements		1,099		(1,309)
		<u>3,454</u>		<u>18,413</u>
Movement in debt in the year		3,454		18,413
Net debt at 1 May 1996		(730)		(19,143)
		<u>2,724</u>		<u>(730)</u>
Net debt at 30 April 1997		<u>2,724</u>		<u>(730)</u>

MONARCH AIRLINES LIMITED

Notes forming part of the financial statements for the year ended 30 April 1997 (Continued)

26 Analysis of net debt

	At 1 May 1996 £'000	Cash flow f '000	Non-cash changes f '000	Exchange Movement f '000	At 30 April 1997 f '000
Cash at bank and in hand	4,393	367		-	4,760
Cash on short term deposit	21,654	(4,496)	-	-	17,158
Bank loans due after one year	(9,249)	-	2,327	536	(6,386)
Bank loans due within one year	(2,334)	2,156	(2,327)	356	(2,149)
Finance leases and hire purchase obligations	(15,194)	7,167	(2,839)	207	(10,659)
Total	(730)	5,194	(2,839)	1,099	2,724

27 Related Party Transactions

Set out below is a summary of related party transactions between the company and companies controlled by the ultimate controlling parties of the company:

Transaction	Related Party
1 Operating leases to the company of aircraft, engines and rotatable components at a cost of £38.9m in the year. These leases are for periods of between 3 and 13 years at rentals ranging from £0.6m to £5.4m per annum.	Various lessors
2 Sale of seats to the related party by the First Aviation Limited as seat broker company amounting to £20.7m in the year, the amount due to the related party at 30 April 1997 was £6.9m.	
3 Provision of insurance and insurance services to the company in respect of the aircraft fleet, property and motor vehicles amounting to £2.2m in the year. The amount due from the services related party at 30 April 1997 was £3,000.	Voyager Insurance Company Limited and Osprey Insurance Company Limited as provider of insurance and insurance

MONARCH AIRLINES LIMITED

Notes forming part of the financial statements for the year ended 30 April 1997 (*Continued*)

27 Related Party Transactions (*continued*)

- 4 Under a Rebate Assignment dated 15 April 1988, and supplemental agreements dated 15 July 1991 and 29 June 1992, the company is providing security for the obligations of Andrair Limited, to the head lessor (an unrelated third party), of an aircraft which is subleased by Andrair Limited to the company. The annual lease rental is f 3.1m. However a liability will only arise if Andrair Limited defaults in its lease payment obligations. The quantum of any such liability would be based on the net proceeds of sale of the aircraft which cannot be determined at the present time. Andrair Limited as lessee of an aircraft and beneficiary of security agreements.
- 5 Pursuant to an agreement dated 31 March 1988 Andrair Limited has subleased an aircraft to the company (see also transactions 1 and 4). As consideration for the provision of security by the company as described in transaction 4 Andrair Limited is providing security for the obligations of the company to the unrelated third party pursuant to the lease of the aircraft. Andrair Limited as sublessor of an aircraft and provider of security agreements.
- 6 On 26 April 1989 the company gave a guarantee in respect of the obligations of Tom-wise of London Limited to an unrelated third party, under a property lease. The lease, which is for a term of 25 years, commenced on 25 December 1985 at an initial rent of £135,500 per annum. Any liability of the company is fully indemnified by Glossa Travel Services International NV (see transaction 7). Tourwise of London Limited as beneficiary of a guarantee.
- 7 Pursuant to an agreement dated 24 November 1989 any liability of the company under the guarantee of the lease referred to in transaction 6 is fully indemnified. Glossa Travel Services International NV as provider of an indemnity.
- 8 On 20 May 1996 the company gave letters of comfort to National Westminster Bank plc in support of banking facilities provided to the related parties. The letters of comfort are not legally binding on the company. Cosmosair plc and Cosmos Coach Tours Limited as beneficiaries of letters of comfort.

Transactions with Monarch Holdings plc and its subsidiary undertakings are not disclosed in these financial statements as the group accounts are publicly available.

MONARCH AIRLINES LIMITED

Notes forming part of the financial statements for the year ended 30 April 1997 *(Continued)*

28 Control

The parent undertaking and controlling party of the company is Monarch Holdings plc. The largest group in which the results of the company are consolidated is that of which Monarch Holdings plc is the parent company. The consolidated accounts may be obtained from the Company Secretary, Monarch Holdings plc, London Luton Airport, Luton, LU2 9NU.

The smallest such group is that of which Monarch Airlines Limited is the parent company, whose consolidated accounts may be obtained from the Company Secretary, London Luton Airport, Luton, LU2 9NU.

The directors consider that the company's ultimate parent company is Amerald Investments NV, a company incorporated in the Netherlands Antilles.

The directors consider that Mr S Mantegazza, Mr G Mantegazza and Mr M Albek are together the ultimate controlling parties of the company.